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# SALT LAKE CITY COUNCIL STAFF REPORT

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**Date:** June 3, 2008

**Subject:** TAX AND REVENUE ANTICIPATION NOTES

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Salt Lake City issues Tax and Revenue Anticipation Notes each year to assist with cash flow needs of the General Fund. Property taxes, one of the City's major sources of revenue, are primarily received in December. The City normally borrows funds for General Fund Operations in anticipation of receiving property taxes. The federal government restricts the amount of borrowing (at the lower tax-exempt rates) to actual needs as determined by a formula. Based on the formula, the limit would be \$31.5 million. The City Treasurer is proposing to issue \$25 million for fiscal year 2008-09 to meet the needs of the City.

By issuing Tax and Revenue Anticipation Notes, the City can typically earn a significant amount of additional interest income. However, the overall interest rate environment during the period that the notes are outstanding is a key factor in determining the effectiveness of borrowing. The closing and receipt of funds is scheduled to take place in July.

The notes will be sold using the competitive method of sale, whereby the notes are awarded to the firm offering the lowest interest rate bid. Bids are scheduled to be opened on June 10, 2008. This item will be placed on the June 10<sup>th</sup> agenda to adopt a resolution authorizing the issuance and confirming the sale of the Notes for fiscal year 2009. For the Council's consideration on the 10<sup>th</sup>, the City Treasurer will provide the Council with a summary of the results of the sale including the number of bids received and the net effective interest rate of the low bid.